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# Message Text

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15
ACTION EA-09

INFO OCT-01 EUR-12 IO-13 ISO-00 EB-07 AGR-10 AID-05

CIAE-00 COME-00 FRB-01 INR-07 NSAE-00 USIA-15 TRSE-00

XMB-04 OPIC-06 SP-02 CIEP-02 LAB-04 SIL-01 OMB-01

NSC-05 SS-15 CEA-01 L-03 H-02 PA-02 PRS-01 /129 W
---------- 044628
R 220618Z APR 76
FM AMEMBASSY CANBERRA
TO SECSTATE WASHDC 8007
INFO AMCONSUL BRISBANE
USMISSION GENEVA
AMCONSUL MELBOURNE
AMCONSUL PERTH
USMISSION OECD PARIS
AMCONSUL SYDNEY
AMEMBASSY TOKYO
AMEMBASSY WELLINGTON

UNCLAS CANBERRA 2982

E.O. 11652: N/A
TAGS: EGEN, ECON, AS
SUBJECT: CPI FOR MARCH QUARTER UP 3 PERCENT -- NEITHER TOO BAD NOR TOO GOOD

REF: CNABERAA 0715 (NOTAL)

1. ON APRIL 21 THE AUSTRALIAN BUREAU OF STATISTICS (ABS) ISSUED MARCH QUARTER 1976 CONSUMER PRICE INDEX (CPI). COMPARED WITH PREVIOUS QUARTER, ALL GROUPS CPI FOR WEIGHTED AVERAGE OF SIX STATE CAPITALS (CANBERRA EXCLUDED) ROSE 3 PERCENT, AS AGAINST A RISE OF 5.6 PERCENT FOR DECEMBER 1975 QUARTER. CPI FOR CANBERRA ROSE 2.9 PERCENT AS AGAINST A RISE OF 8 PERCENT IN DECEMBER 1975 QUARTER. CPI WAS 13.4 PERCENT ABOVE MARCH QUARTER 1975 (CANBERRA 15.1 PERCENT) AS AGAINST 17.6 PERCENT ANNUAL RATE FOR MARCH 75 QUARTER, 16.9 PERCENT FOR JUNE, 12.1
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PERCENT FOR SEPTEMBER AND 14.0 PERCENT FOR DECEMBER.

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2. THE EXPECTED LARGE RISE IN QUARTERLY FOOD PRICES, WHICH IN THE EVENT ROSE BY 5 PERCENT (AS AGAINST 3 PERCENT IN THE DECEMBER QUARTER), HAD LED SOME OBSERVERS OUTSIDE OF GOVERNMENT TO FORECAST AN ALL GROUP RISE IN THE NEIGHBORHOOD OF 4 PERCENT. ACTUALLY, HOWEVER, THE RISES IN ALL OTHER GROUPS WERE LESS SHARP THAN PERHAPS MIGHT HAVE BEEN EXPECTED, AS INDICATED BY THE FOLLOWING FIGURES (DECEMBER QUARTER INCREASES IN PARENTHESES): CLOTHING AND SOFT-GOODS, 1.3 PERCENT (6.9 PERCENT); HOUSING, 2.8 PERCENT (5.3 PERCENT); HOUSEHOLD SUPPLIES AND EQUIPMENT, 2.2 PERCENT (3.0 PERCENT); MISCELLANEOUS, 2.5 PERCENT (8.0 PERCENT).

3. ONE PRESS COMMENTATOR ACCURATELY COMMENTED ON THE MARCH QUARTER FIGURES WHEN HE SAID THAT THE INCREASE "HAS FALLEN INTO THAT LIMBO LAND OF NEITHER BEING SO HIGH AS TO EXCITE CRIES OF HORROR, NOR SO LOW AS TO ALLOW CLAIMS OF SUCCESS ON THE PART OF THE GOVERNMENT." IT SEEMS CLEAR THAT NO REAL BREKTHROUGH HAS BEEN MADE IN THE GOVERNMENT'S DRIVE TO COMBAT INFLATION, ESPECIALLY WHEN IT IS CONSIDERED THAT THE IMPACT OF THE 6.4 PERCENT GENERAL PAY INCREASE GRANTED BY THE CONCILIATION AND ARBITRATION COMMISSION (CAC) ANNOUNCED ON FEBRUARY 13 HAS STILL FOR THE MOST PART TO WORK ITS WAY THROUGH THE SYSTEM.

4. STATEMENTS BY GOVERNMENT SPOKESMEN ON THE MEANING OF THE QUARTERLY INCREASES HAVE BEEN CAUTIOUS. THE MINISTER OF EMPLOYMENT AND INDUSTRIAL RELATIONS, MR. STREET, WAS PROBABLY THE MOST OPTIMISTIC IN SAYING THAT THE INCREASE FOR THE MARCH QUARTER "GIVES SOME CAUSE FOR ENCOURAGEMENT." HOWEVER, HE WENT ON TO SAY THAT "THE CONTINUED NEED FOR WAGE RESTRAINT IS STILL ABUNDANTLY CLEAR, IF LIVING STANDARDS ARE TO BE PROTECTED." THE TREASURER, MR. LYNCH, SAID THAT "THE RATE OF INFLATION REMAINED UNACCEPTABLY HIGH AND, CONSEQUENTLY, GOVERNMENT ECONOMIC POLICY WOULD CONTINUE TO BE DIRECTED TOWARD A REDUCTION IN THE RATE OF PRICE INCREASE."

5. THE PRIME MINISTER, MR. FRASER, TELEGRAPHED SHORT-TERM GOVERNMENT TACTICS FOR REDUCING INFLATION WHEN HE CALLED FOR "REALISM IN THE PRICING POLICY AND REALISM IN WAGE POLICIES," AND WENT ON TO SAY THAT "A GREAT DEAL DEPENDS ON WHAT THE UNCLASSIFIED



ARBITRATION COMMISSION DECIDES AND DETERMINES." FRASER SAID THAT THE CASE THE GOVERNMENT WILL BE PUTTING TO THE CAC "SUPPORTS WAGE INDEXATION BUT ON A SOMEWHAT DIFFERENT BASIS. IT WILL BE WITHIN THE GUIDELINES OF THE COMMISSION BUT WE WILL BE SUPPORTING INDEXATION ON A BASIS WHICH ENABLES AUSTRALIA TO BREAK THE BACK OF INFLATION. ONE OF THE THINGS WE WILL BE SEEKING TO DO IS TO SPELL OUT IN CLEAR TERMS THE LINK BETWEEN HIGH INFLATION AND HIGH UNEMPLOYMENT." REINER

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